



GA SEGONYANA LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Mayor

Masegela N.G.

Councillors

Name

Meyers T.E. (Speaker)

Assegaai G.C.

Aucamp W.A.S. (EXCO) Resigned 22 May 2019

Bloem S.N. Resigned 22 May 2019

Chweu K.H. (EXCO) Appointed May 2019

Disang M.F.

Dispi N.G.

Eiman B.A.

Galeboe M.P.

Kanjeruba K.F.

Leserwane O.A. Resigned December 2018

Leserwane O.A.

Madikiza Selepe K.B. (EXCO)

Makoke L.N.

Makwati K.R.

Mathibe O.D.

Mntuyedwa G.N.

Gaetsewe B.E. Appointed January 2019

Moagi L. (MPAC Chair)

Modise E.B. (EXCO)

Moseki L.C.

Mpata D.T.

Nelson L.R.

Ngesi N.G.

Nels K.A. Appointed 27 June 2019

Reetsang M.G.

Thupaemang N.G.

Tshetshemeserogwe I.

Chief Financial Officer (CFO)

K. Noke

Accounting officer

M. Tsatsimpe

Registered office

Corner Voortrekker and School Street
Kuruman

Business address

Corner Voortrekker and School Street
Kuruman

Postal address

Private Bag X1522
Kuruman
8460

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Bankers

FNB

Auditors

Auditor General (South Africa)

Jurisdiction

The Ga-segonyana Local Municipality includes the following areas: Kuruman, Bankhara, Mothibistad, Magojaneng, Obama Hill, Ditshoswaneng, Mpoteng, Seoding, Mokalamosesane, Gamopedi, Ncweng, Galotolo, Pietbos, Sloja, Lokaleng, Geelboom, Sedibeng, Batharos, Gasehubane, Garuele, Gasebolao, Maruping, Vergenoeg, Kagung, Lohatlha, Seven Miles, Thamonyanche, Wrenchville, Promise Land and Thuli Madonsela.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The Accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting officer to meet these responsibilities, the Accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

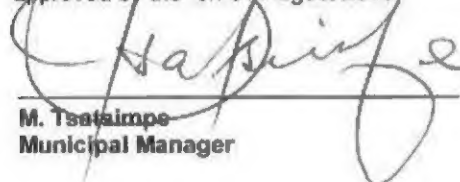
The Accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting officer is primarily responsible for the financial affairs of the municipality, the annual financial statements are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is separately presented.

The annual financial statements set out on pages 6 to 79, which have been prepared on the going concern basis, were approved by the on 31 August 2019.


M. Tsatsimpe
Municipal Manager

GASEGONYANA LOCAL MUNICIPALITY AUDIT, RISK AND PERFORMANCE COMMITTEE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2019

The audit committee is pleased to present its report for the financial period ending 30 June 2019.

The audit committee consisted of the number listed below and had four quarterly meetings during the financial year as required in terms of Section 166 of the MFMA. The details of attendance of meeting are as follows:

Name of the Member	Number of quarterly meetings attended
R. Tshimomola (Acting Chairperson)	4
L. Dlamini (Chairperson, contract expired)	2
S.P. Simelane (Member)	2
F. Buys (Member)	3
S.A.B. Ngobeni (Member, contract expired)	1

AUDIT COMMITTEE RESPONSIBILITIES

The audit committee had formally adopted its terms of reference in accordance with its Audit, Risk and Performance Committee Charter. The committee had also regulated its affairs in compliance with this charter and discharged all its duties and responsibilities as contained therein. The audit committee has performed the following key responsibilities:

- Recommended the risk management plan, policy and strategy to the council, monitored and evaluated the implementation.
- Approved the internal audit plan for the financial year, monitored and evaluated its implementation.
- Evaluated the findings raised by the internal and external audit and made recommendations on improvement of the control environment.
- Reviewed the financial and performance information presented and made recommendations on the improvements of performance.
- Reviewed the annual financial statements and annual performance report and make recommendations for implementation.
- Reviewed the compliance with legal and regulatory requirements for improvement.
- Reported to council quarterly on the performance of its oversight responsibility.

INTERNAL AUDIT

The audit committee is satisfied that the internal audit unit is operating independently and had effectively performed its activities in accordance with the approved internal audit plan for the financial year. The audit committee reviewed and adopted the quarterly internal audit reports.

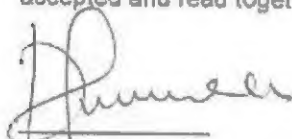
MONTHLY AND QUARTERLY MANAGEMENT REPORTS

The audit committee reviewed the monthly and quarterly management reports prepared and presented by the management in its quarterly meetings.

INTERNAL CONTROL

The audit committee reviewed the internal audit reports presented and recommended some improvement on the control environment.

The audit committee concurs with and accepts the report of the Auditor General of South Africa on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor General South Africa.



R. Tshimomola

Chairperson of the Audit, Risk and Performance Committee

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	3	54,028,734	53,890,846
Receivables from non-exchange transactions	4	27,743,021	23,149,268
VAT	5	4,324,469	17,202,824
Receivables from exchange transactions	6	59,755,609	33,177,631
Cash and cash equivalents	7	551,057	11,688,188
		146,402,890	139,108,757
Non-Current Assets			
Investment property	8	26,850,000	6,756,100
Property, plant and equipment	9	1,315,097,544	1,273,805,771
Intangible assets	10	245,925	350,553
Heritage assets	11	1,655,642	1,655,642
		1,343,849,111	1,282,568,066
Total Assets		1,490,252,001	1,421,676,823
Liabilities			
Current Liabilities			
Other financial liabilities	12	1,940,092	3,197,010
Finance lease obligation	13	4,317,250	4,773,650
Payables from exchange transactions	14	128,991,743	131,479,351
Consumer deposits	15	4,018,382	5,334,319
Employee benefit obligation	16	1,618,925	1,618,925
Unspent conditional grants and receipts	17	(8,850,553)	1,899,569
		132,035,839	148,102,824
Non-Current Liabilities			
Other financial liabilities	12	14,106,191	13,158,864
Finance lease obligation	13	12,259,215	7,442,049
Employee benefit obligation	16	31,164,764	25,352,432
Provisions	18	24,802,197	12,891,497
		82,332,367	58,844,842
Total Liabilities		214,368,206	206,947,666
Net Assets		1,275,883,795	1,214,729,157
Reserves			
Revaluation reserve	19	14,835,415	14,835,415
Accumulated surplus		1,261,048,380	1,199,893,742
TOTAL NET ASSETS		1,275,883,795	1,214,729,157

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
REVENUE			
Revenue from exchange transactions			
Sale of stands		3,114,133	864,010
Service charges	21	144,085,485	140,778,130
Rental of facilities	22	1,214,927	1,688,622
Interest on outstanding receivables		6,189,421	5,616,813
Licences and permits		2,748,788	5,757,645
Recoveries		355,635	-
Other revenue		2,979,957	2,561,479
Interest on investments	24	2,835,635	2,155,587
Total revenue from exchange transactions		163,523,981	159,422,286
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	43,409,469	39,020,719
Transfer revenue			
Grants and subsidies realised	26	273,904,122	232,798,246
Public contributions and donations	27	26,964,670	2,789,054
Fines, penalties and forfeits		1,994,619	1,120,100
Total revenue from non-exchange transactions		346,272,880	275,728,119
Total revenue	20	509,796,861	435,150,405
EXPENDITURE			
Employee related costs	28	(131,002,874)	(119,647,196)
Remuneration of councillors	29	(9,814,878)	(9,361,617)
Depreciation and amortisation	30	(62,544,535)	(53,492,011)
Impairment loss	31	(5,736,407)	(3,688,386)
Finance costs	32	(26,902,849)	(22,977,435)
Debtors impairment - Gain/(loss)	33	(15,003,048)	9,982,282
Bad debts written-off		(756,194)	(8,701,574)
Bulk purchases	36	(102,938,964)	(99,087,945)
Contracted services	37	(41,373,434)	(33,999,577)
General expenses	38	(66,233,859)	(52,950,477)
Total expenditure		(462,307,042)	(393,923,936)
Operating surplus		47,489,819	41,226,469
Loss on disposal of assets		5,231,404	(709,270)
Actuarial gains	16	(6,556,879)	526,317
		(1,325,475)	(182,953)
SURPLUS FOR THE YEAR		46,164,344	41,043,516

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2017	14,835,415	1,158,850,226	1,173,685,641
Changes in net assets	-	41,043,516	41,043,516
Surplus for 12 months ended 30 June	-	41,043,516	41,043,516
Total changes	-	41,043,516	41,043,516
Opening balance as previously reported	14,835,415	1,137,697,735	1,152,533,150
Adjustments	-	77,186,301	77,186,301
Prior year adjustments	-	77,186,301	77,186,301
Restated* Balance at 01 July 2018 as restated*	14,835,415	1,214,884,036	1,229,719,451
Changes in net assets	-	46,164,344	46,164,344
Surplus for the year ended 30 June	-	46,164,344	46,164,344
Total changes	-	46,164,344	46,164,344
Balance at 30 June 2019	14,835,415	1,261,048,380	1,275,883,795
Note(s)	19		

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		326,742,767	184,494,315
Grants		273,904,122	219,914,402
Interest on investments		2,835,635	2,155,587
		<u>603,482,524</u>	<u>406,564,304</u>
Payments			
Employee costs		(140,817,752)	(126,620,077)
Suppliers		(56,107,134)	(63,849,241)
Finance costs		(49,649,707)	(17,702,119)
		<u>(246,574,593)</u>	<u>(208,171,437)</u>
Net cash flows from operating activities	39	<u>356,907,931</u>	<u>198,392,867</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(353,202,903)	(195,354,757)
Proceeds from sale of property, plant and equipment	9	19,179,705	666,600
Purchase of investment property	8	(19,800,000)	-
Purchase of intangible assets	10	(73,749)	(134,561)
Proceeds from sale of intangible assets	10	8,562	52,727
Proceeds from sale of other asset 1		12,878,355	-
Net cash flows from investing activities		<u>(341,010,030)</u>	<u>(194,769,991)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other financial liabilities		(309,591)	(4,978,375)
Finance lease payments		(26,725,441)	12,053,564
Net cash flows from financing activities		<u>(27,035,032)</u>	<u>7,075,189</u>
Net increase/(decrease) in cash and cash equivalents		<u>(11,137,131)</u>	<u>10,698,065</u>
Cash and cash equivalents at the beginning of the year		11,688,188	990,123
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>551,057</u>	<u>11,688,188</u>

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis R	Difference between final budget and actual	Reference
	■	■	■		■	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of stands	6,500,000	(5,000,000)	1,500,000	1,400,896	(99,104)	1
Service charges	138,596,759	3,672,598	142,269,357	144,085,485	1,816,128	2
Rental of facilities	765,396	(106,998)	658,398	1,214,927	556,529	
Interest on outstanding receivables	8,800,000	-	8,800,000	6,189,421	(2,610,579)	
Licences and permits	5,727,648	(3,049,998)	2,677,650	2,748,788	71,138	3
Recoveries	-	-	-	355,635	355,635	
Other revenue	1,778,944	22,254,602	24,033,546	2,979,957	(21,053,589)	
Interest on investments	2,991,808	-	2,991,808	2,835,635	(156,173)	
Total revenue from exchange transactions	165,160,555	17,770,204	182,930,759	161,810,744	(21,120,015)	
Revenue from non-exchange transactions						
Property rates	44,667,795	-	44,667,795	43,409,469	(1,258,326)	
Grants and subsidies realised	260,484,001	7,943,000	268,427,001	273,904,122	5,477,121	4
Public contributions and donations	-	-	-	26,964,670	26,964,670	5
Fines, Penalties and Forfeits	7,008,946	(1,999,998)	5,008,948	1,994,619	(3,014,329)	
Total revenue from non-exchange transactions	312,160,742	5,943,002	318,103,744	346,272,880	28,169,136	
Total revenue	477,321,297	23,713,206	501,034,503	508,083,624	7,049,121	
EXPENDITURE						
Employee related costs	(126,455,316)	11,492,070	(114,963,246)	(131,002,874)	(16,039,628)	6
Remuneration of councillors	(9,524,401)	-	(9,524,401)	(9,814,878)	(290,477)	
Depreciation and amortisation	(43,874,851)	-	(43,874,851)	(62,544,535)	(18,669,684)	7
Impairment loss	-	-	-	(5,736,407)	(5,736,407)	8
Finance costs	(5,414,100)	(2,750,006)	(8,164,106)	(26,902,849)	(18,738,743)	9
Debt Impairment	(1,035,000)	-	(1,035,000)	(15,003,048)	(13,968,048)	10
Bad debts written-off	-	-	-	(756,194)	(756,194)	
Repairs and maintenance	-	-	-	(2,549,808)	(2,549,808)	11
Bulk purchases	(105,072,680)	120,000	(104,952,680)	(102,938,964)	2,013,716	12
Contracted services	(42,451,611)	(9,202,070)	(51,653,681)	(41,373,434)	10,280,247	13
General expenses	(47,679,056)	(9,321,910)	(57,000,966)	(63,684,051)	(6,683,085)	14
Total expenditure	(381,507,015)	(9,661,916)	(391,168,931)	(462,307,042)	(71,138,111)	
Operating surplus	95,814,282	14,051,290	109,865,572	45,776,582	860,525,094	
Gain on disposal of assets	-	-	-	5,231,404	5,231,404	
Actuarial gains/losses	-	-	-	(6,556,879)	(6,556,879)	
	-	-	-	(1,325,475)	(1,325,475)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
SURPLUS FOR THE YEAR	95,814,282	14,051,290	109,865,572	44,451,107	(65,414,465)	

Statement of Financial Position

Assets

Current Assets

Inventories	33,048,213	-	33,048,213	54,028,734	20,980,521	15
Receivables from non-exchange transactions	(42,325,266)	4,905,998	(37,419,268)	27,743,021	65,162,289	16
Receivables from exchange transactions	(28,606,000)	23,518,114	(5,087,886)	59,755,609	64,843,495	17
VAT	-	-	-	4,324,469	4,324,469	18
Cash and cash equivalents	38,886,845	(26,429,002)	12,457,843	551,057	(11,906,786)	19
	1,003,792	1,995,110	2,998,902	146,402,890	143,403,988	

Non-Current Assets

Investment property	6,961,100	-	6,961,100	26,850,000	19,888,900	
Property, plant and equipment	1,279,413,473	6,024,000	1,285,437,473	1,315,097,544	29,660,071	20
Intangible assets	703,105	-	703,105	245,925	(457,180)	
Heritage assets	1,655,642	-	1,655,642	1,655,642	-	
	1,288,733,320	6,024,000	1,294,757,320	1,343,849,111	49,091,791	
Total Assets	1,289,737,112	8,019,110	1,297,756,222	1,490,252,001	192,495,779	

Liabilities

Current Liabilities

Other financial liabilities	5,947,531	-	5,947,531	1,940,092	(4,007,439)	21
Finance lease obligation	-	-	-	4,317,250	4,317,250	22
Payables from exchange transactions	54,656,756	-	54,656,756	128,991,743	74,334,987	23
Consumer deposits	3,781,051	-	3,781,051	4,018,382	237,331	
Employee benefit obligation	2,996,839	-	2,996,839	1,618,925	(1,377,914)	24
Unspent conditional grants and receipts	-	-	-	(8,850,553)	(8,850,553)	25
	67,382,177	-	67,382,177	132,035,839	64,653,662	

Non-Current Liabilities

Other financial liabilities	16,868,481	-	16,868,481	14,106,191	(2,762,290)	26
Finance lease obligation	-	-	-	12,259,215	12,259,215	27
Employee benefit obligation	-	-	-	31,164,764	31,164,764	28
Provisions	35,282,152	-	35,282,152	24,802,197	(10,479,955)	29
	52,150,633	-	52,150,633	82,332,367	30,181,734	
Total Liabilities	119,532,810	-	119,532,810	214,368,206	94,835,396	
Net Assets	1,170,204,302	8,019,110	1,178,223,412	1,275,883,795	97,660,383	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	■	■	■	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	14,835,415	14,835,415	30
Accumulated surplus	1,312,066,834	-	1,312,066,834	1,261,048,392	(51,018,442)	31
Total Net Assets	1,312,066,834	-	1,312,066,834	1,275,883,807	(36,183,027)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	■	■	R	R	
Sale of stands						
1) The decrease was due to a decrease in sale of stands as compared to prior year.						
Service charges						
2) Service charges increased by R3 million due to increase in tariffs and also a slight increase in consumers						
Licences and permits						
3) Licences and permits decreased due to a decrease in customers as well as charges						
Government grants and subsidies realised						
4) Government grants were above budget due to increase in equitable share as well as realisation of income for conditions met for most grants.						
Public contributions and donations						
5) There was an increase in donations from mines for repairs and maintenance of road infrastructure as well as Bulk donations and street lights						
Employee related costs						
6) Employee costs increased due to increase in salaries and wages of 18% as well as overtime payments due to high call out to repair water infrastructure						
Depreciation and amortisation						
7) Depreciation increased due to increase in assets in the current year as well as gains of assets that were added after the physical verification.						
Impairment						
8) Impairment increased as it was not budgeted for.						
Finance costs						
9) Finance costs reduced due to increased in finance costs of Landfill rehabilitation costs which increased by R8million as well as new Finance leases						
Debt impairment						
10) There was a substantial change in debt impairment due to restatement of prior year provision which resulted in a decrease in provision						
Repairs and maintenance						
11) Repairs and maintenance increased slightly as compared to budget due to aging infrastructure which is constantly under maintenance						
Bulk purchases						
12) Bulk purchases increased due to increase in price for both water and electricity (NERSA Tariff increases).						
Contracted services						

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	■	R	R	R	

13) Contracted services changed substantially due to reclassifications which were moved from contracted services to other expenses.

General expenses

14) General expenses increased due to increases in costs from suppliers.

Inventory

15) Inventory increased due to reclassification of land under property, plant and equipment to inventory

Receivables from non-exchange transactions

16) Receivables from non-exchange transactions reduced due to write-off of traffic fines balances.

Receivables from exchange transactions

17) Receivables from exchange transactions increased due to impairment reversal after restatement of debtors impairment

VAT

18) VAT changed substantially as it was not budgeted for and also there was restatement of error after correcting the prior year misstatements. There was also a 1% change from 14% to 15%

Cash and cash equivalents

19) The cash and cash equivalents of the municipality increased due to improvement in cash flow management

Property, plant and equipment

20) Property, plant and equipment increased due to additional assets bought or constructed in the current year as projects are completed as well as asset gains brought into the books after the physical verification exercise.

21) This balance is composed of loans from DBSA as well as loan owing to National treasury for Equitable share withheld

22) Finance lease obligation increased due to additional lease from Afrivent.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003)

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

1.3.1 Trade receivables and allowance for doubtful debts

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.4 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand and interest.

1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on public sector industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.7 Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases, the municipality used the prime interest rate to discount future cash flows.

1.3.9 Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired.

The impairment for trade receivables and loans receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts. Debtors are graded on the following basis:

Grade A

Trade receivables are not impaired for customers with accounts that are not in arrears.

Grade B

Customers with a payment history but with balances outstanding in excess of 90 days, the balance in excess of 90 days is impaired in full.

Grade C

Customers without payment history are considered to be delinquent and the outstanding balances are impaired in full.

Government debtors

Government debtors are not impaired as the government generally has a history of meeting its obligations.

1.4 Investment property

1.4.1 Initial Recognition

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services, or for administrative purposes.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value in line with the asset management policy of the municipality on the municipal property rates Act cycle.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The nature or type of properties classified as held for strategic purposes are as follows:

1.4.3 Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X.X and X and buildings which is carried at revalued amount being the fair value at the date of revaluation

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Infinity
Furniture and fixtures	Straight line	3-15 years
Infrastructure		
- Sewer pump station	Straight line	15-60 years
- Solid waste disposal	Straight line	3-9 years
- Electricity network	Straight line	3-20 years
- LV network	Straight line	10-50 years
- Distribution network	Straight line	2- 30 years
- Bridges	Straight line	30-80 years
- Bulk supply	Straight line	50-100 years
- MV network	Straight line	15-60 years
- Road structures	Straight line	5-55 years
- Airport structures	Straight line	20-60 years
- Collection and reticulation network	Straight line	50 years
- Borehole	Straight line	3-100 years
- Distribution reticulation network	Straight line	5-60 years
- Storage	Straight line	10-15 years
- Stormwater	Straight line	10-60 years
- Road traffic management	Straight line	10-40 years
- Waste water treatment	Straight line	15-60 years
- Water network	Straight line	20 years
- Water pipes	Straight line	20 years
- Water pump	Straight line	5-100 years
- Water storage	Straight line	3-20 years
Community Assets		
- Buildings	Straight line	100 years
Other property, plant and equipment		
- Furniture and equipment	Straight line	5-10 years
- Motor vehicles	Straight line	5-15 years
- Office equipment	Straight line	3-10 years
- Plant equipment	Straight line	4-15 years
- Computer equipment	Straight line	1-5 years
Landfill site	Straight line	17 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life, residual value and depreciation method of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit;
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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Accounting Policies

1.7 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset

Item	Amortisation method	Average useful life
Computer software	Straight line	3 to 5 years

Intangible assets are derecognised

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback)

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations

1.8.1 Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably

1.8.2 Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.8.3 Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost.

1.8.4 Impairment

The municipality assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset

1.9 Financial instruments

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial Instruments (continued)

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability

1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.10 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately

1.11.1 Finance leases - lessee

Initial recognition

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease

Subsequent measurement

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability

Any contingent rents are expensed in the period in which they are incurred

1.12 Inventories

1.12.1 Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition

1.12.2 Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value

Inventories are measured at the lower of cost and current replacement cost where they are held for,

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Ga Segonyana Local Municipality

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Accounting Policies

1.12 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality

1.12.3 Derecognition

When inventories are sold the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.13.1 Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Ga Segonyana Local Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

1.13.2 Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows

1.13.3 Basis for estimates of future cash flows

In measuring value in use the municipality

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates or for the market in which the asset is used unless a higher rate can be justified.

1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset

Non-cash-generating assets are assets other than cash-generating assets

Impairment is a loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense

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Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use

Useful life is either

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows.

[Specify judgements made]

1.14.1 Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period

Ga Segonyana Local Municipality

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Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

1.14.2 Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

1.14.3 Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.14.6 Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

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Accounting Policies

1.15 Employee benefits (continued)

1.15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

1.15.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.16 Provisions and contingencies

1.16.1 Initial Recognition

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

1.16.2 Subsequent measurement

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Ga Segonyana Local Municipality

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1.16 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

The municipality's main sources of revenue from exchange transactions income include service charges, rental of facilities, sale of stands, licences and permits and interest income

1.17.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates

1.17.2 Sale of goods (stands and licences and permits)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from exchange transactions (continued)

1.17.4 Interest

Interest revenue is recognised on a time proportion basis.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The municipality's main source of revenue from non-exchange transactions income include property rates, government grants and subsidies, public contributions, donations, fines and penalties

1.18.1 Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.18.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality

When as a result of a non-exchange transaction the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue

1.18.3 Property Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Ga Segonyana Local Municipality

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

1.18.4 Government grants, Public contributions and donations

Transfer revenue include government grants subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.18.5 Fines

Fines are economic benefits or service potential received or receivable by municipality, as determined by a court of other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18.6 Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means

- overspending of a vote or a main division within a vote, and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003) the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register

1.24 Budget information

The Municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the approved budget.

The approved budget is prepared on an accrual basis and presented by nature linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30

The annual financial statements and the approved budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts

Comparative information is not required.

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budget as well as deviations between final budget and actual, are regarded as material differences

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Annual Financial Statements as at 30 June 2018

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.26 Expenditure (continued)

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately, and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities.
- Bulk purchases - expenditure on the procurement of bulk electricity.
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs
- Transfers and grants which relate to expenditure pertaining to free basic services, and
- General expenses which constitute several expense items which are not individually significant
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the is not material
• GRAP 21 (as amended 2016) Impairment of non-cash-generating assets	01 April 2018	The impact of the is not material
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the is not material
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the is not material
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the is not material

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 104 (revised): Financial Instruments	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
3. Inventories		
Other inventories held for sale (land)	51,290,729	52,540,329
Consumable stores	3,539,531	1,219,479
Water	39 157	131,038
	54,869,417	53,890,846
Inventories (write-downs)	(840,683)	-
	54,028,734	53,890,846
4. Receivables from non-exchange transactions		
Fines	2,905,216	1,238 230
Motor vehicle and housing loans	-	61,070
Other receivables from non-exchange revenue	72,593	16,959
Consumer debtors - Rates	24,765,212	21,833,009
	27,743,021	23,149,268
Included in receivables from non-exchange transactions are balances owing from property rates as follows:		
Current (0 - 30 days)	707,663	10 058
31 - 60 days	489,493	571 388
61 - 90 days	369,492	427,300
91 - 120 days	278,186	274,597
121 - 365 days	13,284,348	1,411,742
> 365 days	19,278,822	39,153,833
	34,408,004	41,848,918
Less: Allowance for impairment	(29,658,701)	(20,015,909)
Net balance	4,749,303	21,833,009
Fines		
Gross fines	3,226,950	9,339,884
Impairment	(321,734)	(8,101,654)
	2,905,216	1,238,230

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates

Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows

1 month past due	455 154	7,034 925
2 months past due	458 854	3,060,376
3 months past due	208,509	2,071,500

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
5. Value Added Tax		
VAT	4,324,469	17,202,824
Amounts outstanding from SARS at year end	5,338,758	10,488,898
VAT on accrual basis	(1,014,289)	6,700,970
	4,324,469	17,189,868
6. Receivables from exchange transactions		
Sub-heading		
Gross balances		
Electricity	29,161,936	12,639,892
Water	961,160	4,113,157
Sewerage	39,971,674	31,085,257
Refuse	10,389,647	10,855,057
Unallocated deposits	-	2,749,381
Sundry debtors	27,958,562	23,729,070
	108,442,979	85,171,814
Less: Allowance for impairment		
Less: Allowance for impairment	(48,687,370)	(51,994,183)
Net balance	59,755,609	33,177,631

Sundry debtors includes interest on overdue service charges accounts

Rates

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	-	2,264,327
31 - 60 days	5,096,405	779,768
61 - 90 days	2,118,153	619,790
91 - 120 days	1,579,966	531,337
121 - 365 days	992,246	1,985,889
> 365 days	18,375,166	6,458,781
	29,161,936	12,639,892
Water		
Current (0 -30 days)	540,623	1,609,851
31 - 60 days	10,881	521,673
61 - 90 days	81,704	530,274
91 - 120 days	327,952	483,434
121 - 365 days	-	967,925
	961,160	4,113,157
Waste water		
Sewerage		
Current (0 -30 days)	618,941	1,033,752
31 - 60 days	494,720	642,056
61 - 90 days	478,367	518,575
91 - 120 days	386,626	490,173
121 - 365 days	2,155,780	2,328,483
> 365 days	35,837,240	26,074,218
	39,971,674	31,085,257
Refuse		
Current (0 -30 days)	417,157	571,444
31 - 60 days	331,563	384,380
61 - 90 days	301,158	306,625
91 - 120 days	273,127	270,517
121 - 365 days	1,454,872	1,457,055
> 365 days	7,611,770	7,865,036
	10,389,647	10,855,057
Other (specify)		
Current (0 -30 days)	3,305,587	1,780,610
31 - 60 days	4,503,315	421,601
61 - 90 days	3,479,879	-
91 - 120 days	2,758,849	-
121 - 365 days	-	129,845
> 365 days	13,910,932	21,397,014
	27,958,562	23,729,070

Summary of debtors by customer classification

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
6. Receivables from exchange transactions (continued)		
Government		
Current (0 -30 days)	1,287,180	1,099,411
31 - 60 days	6,358,285	248,755
61 - 90 days	210,776	237,391
91 - 120 days	164,533	268,334
121 - 365 days	225,394	179,672
> 365 days	13,242,957	13,283,737
	21,469,125	15,317,300
Industrial/ commercial		
Current (0 -30 days)	4,676,883	489,738
31 - 60 days	1,218,433	250,273
61 - 90 days	821,414	144,326
91 - 120 days	372,058	138,543
121 - 365 days	446,769	59,560
> 365 days	7,240,818	805,235
	14,776,375	1,887,675
Residential		
Current (0 -30 days)	2,426,097	2,235,673
31 - 60 days	2,137,108	1,916,670
61 - 90 days	1,586,559	1,701,473
91 - 120 days	1,540,975	1,518,200
121 - 365 days	2,205,736	1,427,230
> 365 days	59,895,284	50,875,508
	69,791,759	59,674,754
Agriculture		
Current (0 -30 days)	334,820	19,592
31 - 60 days	22,112	27,847
61 - 90 days	18,271	25,971
91 - 120 days	19,970	23,602
121 - 365 days	8,811	21,764
> 365 days	7,612,796	2,472,570
	8,016,780	2,591,346
Other		
Current (0 -30 days)	222,838	3,899,768
31 - 60 days	118,250	1,353,700
61 - 90 days	110,151	682,263
91 - 120 days	83,007	510,051
121 - 365 days	69,040	764,940
> 365 days	2,207,968	8,708,412
	2,811,254	15,919,134
Total		
Current (0 -30 days)	545,632	352,145
31 - 60 days	5,248,632	5,632,485
61 - 90 days	5,512,863	4,256,382
91 - 120 days	27,854,268	8,523,697
121 - 365 days	14,852,136	5,423,659
> 365 days	2,664,073	8,989,263

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	2019 R	2018 R
6. Receivables from exchange transactions (continued)		
Undefined Difference	56,677,604 3,078,005	33,177,631 -
	59,755,609	33,177,631
Less: Allowance for impairment		
Current (0 -30 days)	(2,156,359)	(1,205,896)
31 - 60 days	(3,568,742)	(3,215,874)
61 - 90 days	(9,582,210)	(5,321,852)
91 - 120 days	(5,110,036)	(10,338,442)
121 - 365 days	(6,793,643)	(14,325,876)
> 365 days	(21,476,380)	(17,586,243)
	(48,687,370)	(51,994,183)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(44,037,973)	(61,619,728)
Contributions to allowance	(4,649,397)	9,625,545
	(48,687,370)	(51,994,183)

Credit quality of consumer debtors

The credit quality of receivables from exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates

Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows

1 month past due	8,472,684	7,734,125
2 months past due	3,675,334	3,225,856
3 months past due	2,538,662	2,364,123

7. Cash and cash equivalents

Cash and cash equivalents consist of

Cash on hand	6 050	6 050
Other cash and cash equivalents	545,007	11,682,138
	551,057	11,688,188

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Petty cash float	6,050	6 050	-	6,050	6 050	-
FNB CHEQUE ACC - 62649722883	259,466	1,110,259	-	259,466	1,110 259	-
FNB CHEQUE ACC - 62652542632	161	128,643	-	161	128 643	-
FNB 7 DAY CALL ACC 74690806392	156,699	4 795,448	-	156,699	4,795,448	-
FNB CALL ACCOUNT	128,681	5 627,788	-	128,681	5,627,788	-
Total	551,057	11,668,188	-	551,057	11,668,188	-

Ga Segonyana Local Municipality

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8. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	26,850,000	26,850,000	6,756,100	6,756,100

Reconciliation of investment property - 2019

	Opening balance	Additions	Fair value adjustments	Total
Investment property	6,756,100	19,800,000	293,900	26,850,000

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	6,756,100	6,756,100

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Details of valuation

Investment property is reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2018. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties.

9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19,962,100	-	19,962,100	19,962,100	-	19,962,100
Buildings	146,308,081	(50,858,214)	95,449,847	136,414,384	(47,448,457)	88,965,927
Plant and machinery	2,854,569	(1,786,556)	1,068,013	3,299,576	(1,963,480)	1,336,096
Furniture and fixtures	5,016,164	(4,033,778)	982,386	5,265,931	(3,908,666)	1,359,265
Motor vehicles	20,338,585	(13,780,433)	6,558,152	21,623,322	(11,269,239)	10,354,083
Office equipment	11,928,238	(8,628,015)	3,300,223	13,015,112	(8,311,575)	4,703,537
Infrastructure	1,863,207,797	(675,436,227)	1,187,771,570	1,807,132,292	(680,015,940)	1,147,116,352
Emergency equipment	43,349	(38,096)	5,253	51,309	(42,898)	8,411
Total	2,069,658,863	(754,561,319)	1,315,097,544	2,006,764,026	(732,958,255)	1,273,805,771

Ga Segonyana Local Municipality
Annual Financial Statements for the year ending 30 June 2019

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	19,952,100	-	-	-	-	-	-	19,952,100
Buildings	86,955,927	9,954,550	(29,680)	-	(3,262,098)	(178,444)	492	95,449,847
Plant and machinery	1,336,096	49,430	(100,546)	-	(219,246)	-	2,373	1,065,013
Furniture and fixtures	1,359,265	44,559	(45,027)	-	(317,653)	(63,295)	4,518	982,188
Motor vehicles	10,354,083	362,552	(244,548)	-	(4,071,310)	(3,453)	162,829	6,556,152
Office equipment	4,703,537	913,197	(225,599)	-	(2,146,117)	-	55,205	3,400,223
Infrastructure	1,147,116,352	109,506,412	(13,302,527)	-	(52,372,884)	(5,491,214)	2,255,411	1,187,771,570
Emergency equipment	8,411	-	(323)	-	(2,635)	-	-	5,253
	1,273,695,771	120,890,706	(13,948,301)	-	(62,393,073)	(5,736,407)	2,478,848	1,315,697,544

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	19,952,100	-	-	-	-	-	19,952,100
Buildings	86,482,024	6,322,775	(300,033)	(2,887,644)	(2,651,190)	-	86,965,927
Plant and machinery	1,584,328	298,230	(197,021)	(279,043)	(10,300)	-	1,536,196
Furniture and fixtures	1,190,329	628,541	(83,401)	(359,130)	(18,525)	451	1,359,265
Motor vehicles	2,768,587	11,692,785	(301,615)	(3,898,565)	(307,043)	-	10,354,083
Office equipment	6,351,132	1,086,438	(226,018)	(2,508,215)	-	-	4,703,537
Infrastructure	1,037,067,271	175,325,008	(13,858,629)	(50,924,088)	(562,048)	58,836	1,147,116,352
Emergency equipment	8,411	-	(28,199)	(17,947)	(361)	-	8,411
	1,157,460,736	195,354,757	(14,795,116)	(60,674,652)	(3,609,243)	59,289	1,273,805,771

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
9. Property, plant and equipment (continued)		
Compensation received for losses on property, plant and equipment – included in operating profit.		
Assets subject to finance lease (Net carrying amount)		
Office Equipment	3,226,051	3,798,421
Motor vehicles	10,365,525	341,453
	13,591,576	4,139,874
Revaluations		
The effective date of the revaluations was 01 July 2018. Revaluations were performed by independent valuer, TT Property Consultants [Property valuers], are not connected to the municipality.		
Investment property are re-valued independently every 4 years		
The valuation was performed using the discounted cash flow approach		
These assumptions were based on current market conditions		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	96,181,671	121,834,747
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Pietbos Road	2 560,565	-
RBIG	74,669,740	56,217,012
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the Construction cost, as a result number of units increased from 380- 496.		
Bankara boudolong roads	-	8,435,380
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496		
Bankhara Ncweng road	-	3,890,576
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496		
	77,230,305	68,542,968

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
9. Property, plant and equipment (continued)		
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Kuruman Bulk Water	18,452,729	56,217,012
This project was halted as funds were not available to continue with the project. This project was funded by RBIG and the mines are going to fund the project going forward		
	18,452,729	56,217,012

Reconciliation of Work-In-Progress 2019

	Included within Infrastructure	Total
Opening balance	67,850,517	67,850,517
Additions/capital expenditure	149,516,665	149,516,665
Transferred to completed items	(107,897,848)	(107,897,848)
	109,469,334	109,469,334

Reconciliation of Work-In-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	139,827,366	392,086	140,219,452
Additions/capital expenditure	58,565,571	6,665,573	65,231,144
Transferred to completed items	(130,542,420)	(7,057,659)	(137,600,079)
	67,850,517	-	67,850,517

Expenditure incurred to repair and maintain property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	999,527	(753,602)	245,925	1,038,666	(688 113)	350,553

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	350,553	73,749	(8,562)	(169,815)	245,925

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	573,105	134 561	(52,727)	(304,386)	350 553

11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated Impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	5,642	-	5 642	5,642	-	5 642
The Eye	1,650,000	-	1,650,000	1,650,000	-	1,650,000
Total	1,655,642	-	1,655,642	1,655,642	-	1,655,642

Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral chain	5,642	5 642
The Eye	1,650,000	1,650,000
	1,655,642	1,655,642

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral chain	5,642	5,642
The Eye	1,650,000	1,650,000
	1,655,642	1,655,642

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

11. Heritage assets (continued)

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

2019	2018
■	■

12. Other financial liabilities

At amortised cost

DBSA Bank loan

16,046,283 16,355,874

The Borrower shall cede to the DBSA, security in the form of a cession over its income stream, covering the instalments outstanding, plus interest and collection charges outstanding, at any time during the term of the loan

The borrower hereby agrees to create and deposit at a recognised commercial bank, an amount equal to two instalments over a period of one year of the respective loan period. This amount is to be ceded to the DBSA as security for the loan

Non-current liabilities

At amortised cost

14,106,191 13,158,864

Current liabilities

At amortised cost

1,940,092 3,197,010

Defaults and breaches

The loans below were in default as a result of not meeting capital repayment requirements as per the contractual arrangements. This was due to cash flow timing delays. The default was rectified before annual financial statements were authorised for issue

Contract number	Loan number	Start date	Planned end date	Loan term (Years)	Interest rate per annum
61000505	102274/2	2006/03/01	2026/02/28	20	8.4
61003307	13891/201	2001/12/20	2023/06/30	20	10.7
61000632	102568/2	2007/11/19	2027/12/31	20	5.0
61000357	101738/2	2005/03/24	2025/06/30	20	9.3
61001387	11099/102	1998/04/24	2018/06/30	20	15.0
61000038	100234/1	2003/08/07	2024/12/31	20	11.5

Maturity analysis

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	7,451,010	8,904,864	-	-
Other 2	-	-	-	-

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

12. Other financial liabilities (continued)

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

13. Finance lease obligation

Minimum lease payments due

- within one year	3,125,421	9,707,356
- In second to fifth year inclusive	12,102,350	11,345,344
	15,227,771	21,052,700
less: future finance charges	(2,643,048)	(8,837,001)
Present value of minimum lease payments	12,584,723	12,215,699

Present value of minimum lease payments due

- within one year	4,317,250	4,773,650
- In second to fifth year inclusive	8,267,473	7,442,049
	12,584,723	12,215,699

Non-current liabilities	12,259,215	7,442,049
Current liabilities	4,317,250	4,773,650
	16,576,465	12,215,699

It is municipality policy to lease certain [property] motor vehicles and equipment under finance leases.

The average lease term was 2-5 years and the average effective borrowing rate was -% (2018: 26%)

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

14. Payables from exchange transactions

Trade payables	72,841,675	89,201,785
Accruals	19,653,515	6,718,262
Unallocated deposits	(1,518,192)	947,393
Retention monies	10,079,234	12,394,997
Sale of stands	7,745,742	9,588,264
Sundry payables	73,490	2,617,685
Debtors with credit balances	3,078,005	2,092,317
Employee costs accrual	5,313,095	(1,853,078)
Group life Insurance	2,026,646	2,026,646
Leave pay provision	5,504,206	5,408,059
Bonus provision	4,194,327	2,337,021
	128,991,743	131,479,351

15. Consumer deposits

Service accounts	2,972,279	3,903,569
Housing rental	1,046,103	1,430,750
	4,018,382	5,334,319

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services.

Ga Segonyana Local Municipality

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	2019 R	2018 R
16. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(32 783,689)	(26,971,357)
Non-current liabilities	(31,164,764)	(25,352,432)
Current liabilities	(1,618,925)	(1,618,925)
	(32,783,689)	(26,971,357)

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member is entitled to continue as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Long service award

The members of the long service award are made up as follows:

Eligible employees as at 30 June 2018	308	315
New Entries	-	10
Exits	(1)	(17)
	307	308

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	5,372,611	4,862,913
Assumed in an entity combination	-	114,663
Other	-	395,035
	5,372,611	5,372,611

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	598,889	541,141
Interest cost	398,095	350,152
Actuarial (gains) losses	250,694	114,663
Settlement	(557,874)	(496,258)
	687,804	509,698

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Discount rates used	8.21 %	8.63 %
Expected rate of return on assets	5.57 %	6.22 %
Expected rate of return on reimbursement rights	2.50 %	2.27 %
Other material actuarial assumptions [provide details]	62	65

The basis used to determine the overall expected rate of return on assets is as follows:

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
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16. Employee benefit obligations (continued)

A discount rate of 8.63% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.63% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.77%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 29 June 2018.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	-	968,100
Effect on defined benefit obligation	-	5,215,000

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	-	4,862,913	-	3,989,044	3,488,880
Surplus (deficit)	-	(4,862,913)	-	(3,989,044)	(3,488,880)
Experience adjustments on plan liabilities	-	193,943	-	209,294	86,911

Post employment medical aid subsidy

The members of the post-employment health care benefit plan are made up as follows:

Heading		
In-service (employee) members	188	189
In-service (employee) non-members	119	119
Continuation (retiree and widow) members	26	26
	333	334

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	23,746,202	22,108,444
Assumed in an entity combination	-	(640,980)
Other	-	2,278,738
	23,746,202	23,746,202

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,210,821	1,276,818
Interest cost	2,042,405	1,905,387
Actuarial (gains) losses	2,932,353	(640,980)
Settlement	(1,061,051)	(903,467)
	5,124,528	1,637,758

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

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	2019 R	2018 R
16. Employee benefit obligations (continued)		
Discount rates used	9.35 %	9.46 %
Expected rate of return on assets	6.83 %	7.32 %
Expected rate of return on reimbursement rights	2.36 %	1.99 %
Actual return on reimbursement rights	4.75 %	5.12 %
Medical cost trend rates	4.39 %	4.13 %
Other material actuarial assumptions (provide details)	62	65

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 9.46% per annum has been used. The corresponding index-linked yield at this term is 2.97%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

These rates were calculated using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

Health Care Cost Inflation Rate of 7.32% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.82%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.99% which derives from $((1+9.46\%)/(1+7.32\%))-1$.

The expected inflation assumption of 5.82% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.97%) and those of fixed interest bonds (9.46%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.46\%-0.50\%)/(1+2.97\%))-1$.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	5,386,487	3,397,500
Effect on defined benefit obligation	26,402,883	23,468,000

The history of experienced adjustments is as follows:

	2019 ■	2018 ■	2017 R	2016 R	2015 ■
Defined benefit obligation	35,246,852	22,108,000	-	20,144,000	20,080,000
Surplus (deficit)	(35,246,852)	(22,108,000)	-	(20,144,000)	(20,080,000)
Experience adjustments on plan liabilities	860,000	604,000	-	(237,000)	(2,308,000)

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	2019 R	2018 R
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
EPWP Grant	-	113,300
INEP Grant	(8,811,777)	1,032
RBIG Grant	-	22,184
ACIP Grant	-	8,902
Water Services Infrastructure Grant	(38,776)	1,554,151
	(8,850,553)	1,699,569

18. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Provision for rehabilitation of landfill sites	12,891,497	11,910,700	-	24,802,197

Reconciliation of provisions - 2018

	Opening Balance	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Provision for rehabilitation of landfill sites	4,870,377	485,134	7,535,986	12,891,497

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 8.30%.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
18. Provisions (continued)		
Key assumptions		
Total Site Area	61 826 m ²	
Area of waste body to be rehabilitated in future (waste footprint) (m2)	46 055 m ²	
Estimated site closure date	2028	
Assumed site start date	1994	
Assumed total site life	36 years	
Remaining site life (as at 01 July 2018) (years)	approximately 10 years	
Estimated annual airspace consumption (m3)	6156	
Estimated total airspace (m3)	186 420	
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2018	10.29% (based on Government Bond yield rate of 9.035% and an Adjustment for risk of 1.25%)	
Estimated airspace remaining (m3)	72 241	
Airspace consumed to date		61 %

19. Revaluation reserve

Opening balance	14,835,415	14,835,415
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Revaluation reserve balance is as a result of the gains in the fair value of land held by the municipality.

20. Revenue

Sale of stands	3,114,133	864,010
Service charges	144,085,485	140,778,130
Rental of facilities	1,214,927	1,688,622
Interest received on outstanding receivables	6,189,421	5,616,813
Licences and permits	2,748,788	5,757,645
Recoveries	355,635	-
Other revenue	2,979,957	2,561,479
Interest investment	2,835,635	2,155,587
Property rates	43,409,469	39,020,719
Government grants & subsidies	273,904,122	232,798,246
Public contributions and donations	26,964,670	2,789,054
Fines, penalties and forfeits	1,994,619	1,120,100
	509,796,861	435,160,405

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of stands	3,114,133	864,010
Service charges	144,085,485	140,778,130
Rental of facilities	1,214,927	1,688,622
Interest on outstanding receivables	6,189,421	5,616,813
Licences and permits	2,748,788	5,757,645
Recoveries	355,635	-
Other revenue	2,979,957	2,561,479
Interest on investments	2,835,635	2,155,587
	163,523,981	159,422,286

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
20. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	43,409,469	39,020,719
Transfer revenue		
Government grants & subsidies	273,904,122	232,798,246
Public contributions and donations	26,964,670	2,789,054
Fines, Penalties and Forfeits	1,994,619	1,120,100
	346,272,880	275,728,119
21. Service charges		
Sewer levied	2,835,555	17,913,515
Sale of electricity	102,860,662	91,393,144
Sale of water	20,773,685	21,755,399
Sewerage and sanitation charges	8,199,598	-
Refuse removal	8,282,882	8,744,488
New connections and administration fees	1,133,103	971,584
	144,085,485	140,778,130
22. Rental of facilities		
Premises		
Premises	717,386	1,688,622
Facilities and equipment		
Rental of facilities	497,541	-
	1,214,927	1,688,622
23. Other revenue		
Debt impairment recovered	355,635	-
Other revenue	2,979,957	2,561,479
	3,335,592	2,561,479
24. Investment revenue		
Interest revenue		
Bank	2,835,635	2,155,587
25. Property rates		
Rates levied		
Property rates levied	44,477,199	40,064,541
Less: Income forgone	(1,067,730)	(1,043,822)
	43,409,469	39,020,719

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
25. Property rates (continued)		
Valuations		
Residential	2,827,020,001	2,737,704,400
Commercial	925,736,287	851,340,300
State	627,560,000	130,037,800
Municipal	448,783,268	167,960,000
Agriculture	1,456,898,000	1,811,083,000
Industrial	209,574,000	184,204,500
Multuse	143,449,000	-
Churches & charitable organisations	83,086,500	-
	6,722,107,056	5,882,330,000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to the impact of alterations, subdivisions and consolidations.

26. Government grants and subsidies realised

Operating grants		
Equitable share	141,895,001	132,415,580
Library Grant	1,621,000	2,769,593
Finance Management Grant (FMG)	2,215,000	2,242,997
Expanded Public Works Program Grant (EPWP)	1,000,300	1,199,482
ACIP Grant	8,902	252,168
	146,740,203	138,879,820
Capital grants		
Municipal Infrastructure Grant (MIG)	52,793,000	54,204,318
Rural Bulk Infrastructure Grant (RBIG)	22,184	70
Integrated National Electrification Programme (INEP)	27,755,809	5,817,908
Water Services Infrastructure Grant (WSIG)	46,592,926	33,896,130
	127,163,919	93,918,426
	273,904,122	232,798,246

Conditional and Unconditional

Included in above are the following grants and subsidies received and or spent:

Conditional grants received	98,506,181	230,921,761
Unconditional grants received	141,895,001	132,415,580
	240,401,182	363,337,341

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies realised (continued)		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	7,893,313
Converted to loan (Unapproved roll over) [1]	-	(7,900,000)
Current-year receipts	52,793,703	54,211,000
Conditions met - transferred to revenue	(52,793,703)	(54,204,313)
	-	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery) Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities

Library Grant

Balance unspent at beginning of year	-	948,593
Current-year receipts	1,621,000	1,821,000
Conditions met - transferred to revenue	(1,621,000)	(2,769,593)
	-	-

The purpose is to fund capital projects and maintenance of library facilities the community

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	98,000
Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	(2,215,000)	(2,243,000)
	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	113,300	116
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,113,300)	(886,816)
	-	113,300

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Integrated National Electrification Programme

Balance unspent at beginning of year	1,032	818,940
Current-year receipts	18,943,000	5,000,000
Conditions met - transferred to revenue	(27,755,809)	(5,817,908)
	(8,811,777)	1,032

Conditions still to be met - remains a liability and included under Unspent Conditional Grants

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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26. Government grants and subsidies realised (continued)

Municipal Water Infrastructure Grant (MWIG)

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	22,184	4,522,184
Current-year receipts	70	-
Conditions met - transferred to revenue	(22,254)	(4,500,000)
	<u>-</u>	<u>22,184</u>

Conditions still to be met - remain liabilities and are included under Unspent conditional grants.

[1] The rollover was not approved by National Treasury. The unapproved roll over was converted to a loan from National Treasury. The repayments were made from withholding of equitable share in three equal instalments of R4 266 666 67 and the last instalment was deducted in July 2018.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community

ACIP Water Grant

Balance unspent at beginning of year	8,902	261,070
Conditions met - transferred to revenue	(8,902)	(252,168)
	<u>-</u>	<u>8,902</u>

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community

Allocations in kind

Balance unspent at beginning of year	-	109,449,000
Current-year receipts	83,853,000	10,300,000
Other (Development Bank of Southern Africa)	2,000,000	98,362,000
	<u>-</u>	<u>787,000</u>
	<u>85,853,000</u>	<u>218,898,000</u>

The following amounts were allocations in kind as per DORA Bill 5 of 2014. An allocation in kind is money allocated for spending by a national department on behalf of a province, local government or a municipality. National Treasury allocated funds to Gasegonyana area to build infrastructure. The municipality does not have control over the infrastructure. The donated income and/or assets thereof are not included in the municipality's Statement of Financial Position and Statement of Financial Performance.

Rural Housing Infrastructure Development

Balance unspent at beginning of year	-	70
Conditions met - transferred to revenue	-	(70)
	<u>-</u>	<u>-</u>

The purpose of this grant is to provide houses for the rural communities

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies realised (continued)		
Water Services Infrastructure Grant (WSIG)		
Balance unspent at beginning of year	1,554,151	3,950,280
Converted to loan (Unapproved roll over) [1]	-	(3 500,003)
Current-year receipts	45,000,000	35 000,000
Conditions met - transferred to revenue	(46,592,927)	(33,896,126)
	(38,776)	1,554,151

[1] The rollover was not approved by National Treasury. The unapproved roll over was converted to a loan from National Treasury, the repayments were made from withholding of equitable share in three equal instalments of R4 266 666.67 and the last instalment was deducted in July 2018.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

27. Public contributions and donations

Public donations	26,964,670	2,789,054
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28. Employee related costs

Basic	79,385,629	68,709,942
Bonus	7,165,472	5,015,192
Medical aid - company contributions	6,201,580	5,936,443
UIF	626,369	597,361
Leave pay provision charge	5,534,469	5,408,058
Bonus Provision	65,026	2,526,434
Short term benefit	939,264	-
Employee benefit obligations	1,809,710	1,817,959
Defined contribution plans	9,905,237	9,998,368
Travel, motor car, accommodation, subsistence and other allowances	2,577,078	2,597,669
Overtime payments	6,512,429	7,882,709
Long-service awards	248,436	216,886
Acting allowances	1,724,778	987,454
Transport allowance	109,770	243,944
Housing benefits and allowances	3,235,124	2,961,132
Standby Allowance	2,689,938	1,763,137
Telephone Allowance	345,457	333,075
Group Insurance	1,893,116	1,817,436
Other Allowances	33,692	833,997
	131,002,574	119,647,196

Remuneration of Municipal Manager: M Tsatsimpe

Annual remuneration	1,312,735	878,491
Car allowance	172,450	125,388
Contributions to UIF	1,785	2,676
Other contributions	285,871	85,939
	1,772,841	1,072,494

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
28. Employee related costs (continued)		
Remuneration of Chief Financial Officer : Kagiso Noke		
Annual Remuneration	1,023,996	897,483
Car Allowance	185,670	180,000
Contribution to UIF	1,785	3,569
Other contributions	-	73,204
	1,211,451	1,154,256
Remuneration of the Director: Community Services - P Sampson		
Annual Remuneration	-	989,543
Car Allowance	-	90,000
Performance Bonuses	-	11,601
Contributions to UIF, Medical and Pension Funds	-	3,569
Other	-	74,075
	-	1,168,788
Additional text		
Remuneration of Director: Corporate Support Services - M Tsatsimpe		
Annual Remuneration	-	430,561
Car Allowance	-	41,796
Performance Bonuses	-	15,996
Contributions to UIF, Medical and Pension Funds	-	892
	-	489,245
Remuneration of the Director: Corporate Support Services - Lencoe		
Acting allowance	189,840	339,775
Remuneration of the Director: Corporate Support Services - R Pule		
Annual Remuneration	171,666	171,665
Remuneration of the Director: Technical Services - H Smit		
Annual Remuneration	1,107,396	1,004,566
Car Allowance	102,270	75,500
Acting allowance (Municipal Manager)	-	38,389
Contributions to UIF	1,785	3,569
Other	32,052	73,607
	1,243,503	1,195,631
29. Remuneration of councillors		
Mayor	833,184	792,541
Councillors	7,992,713	7,727,908
Speaker	988,981	841,168
	9,814,878	9,361,617

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
29. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor and Speaker are both full-time councillors of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.		
30. Depreciation and amortisation		
Plant and machinery	219,296	276,209
Furniture and fixtures	317,653	341,229
Motor vehicles	4,071,310	909,957
Office equipment	2,146,117	2,415,814
Infrastructure	52,372,864	46,340,757
Community	3,262,998	2,887,645
Emergency Assets	2,835	16,014
Intangible assets	169,812	304,386
	62,562,885	53,492,011
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total costs of the item has been depreciated separately.		
31. Impairment of assets		
Impairments		
Property, plant and equipment	5,736,407	3,688,386
32. Finance costs		
Employee benefit obligations	2,438,500	2,255,539
Interest on provision for rehabilitation of land	5,955,350	8,021,075
Non-current borrowings	7,343,530	1,555,432
Trade and other payables	6,261,833	5,870,073
Finance leases	4,903,636	5,275,316
	26,902,849	22,977,435
33. Debt impairment - Gain/(loss)		
Contributions to debt impairment	14,646,786	(9,982,282)
Bad debts written off	356,262	-
	15,003,048	(9,982,282)
34. Debtors write-off		
Fines debtors written-off	-	8,101,654
Other debtors written-off	756,194	599,920
	756,194	8,701,574
35. Repairs and maintenance		
Repairs and maintenance	2,549,808	17,373,609

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019	2018
	■	■
36. Bulk purchases		
Electricity	76,344,850	73,864,344
Water	26,594,114	25,223,601
	102,938,964	99,087,945

The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in general expenses due to the nature of the municipality's contract with Sedibeng.

37. Contracted services

Consulting and professional services	29,300,099	22,558,575
Other	489,708	-
Specialist Services	5,428,245	5,498,192
Security services	6,155,384	5,942,810
	41,373,434	33,999,577

38. General expenses

Advertising	118,862	146,415
Auditors remuneration	5,314,998	5,783,354
Bank charges	836,394	939,497
Cleaning	403,474	285,415
Computer expenses	2,939,528	2,055,346
Consumables	8,589,199	-
VIP toilets	9,654,112	7,455,657
Entertainment	210,579	179,870
Hire	10,649,710	1,063,964
Insurance	6,518,983	1,966,415
IT expenses	12,449	8,745
Skills development	1,132,773	950,814
Fuel and oil	3,153,184	2,447,092
Postage and courier	222,172	323,514
Printing and stationery	1,594,330	168,574
Protective clothing	1,525,786	69,985
Repairs and maintenance	2,549,808	17,373,609
Subscriptions and membership fees	1,311,084	243,223
Telephone and fax	131,966	239,927
Training	593,438	385,364
Travel - local	2,856,909	2,586,787
Electricity	3,796,749	2,190,139
Cost of land sold	1,450	3,683,500
Water quality management expenses	-	115,180
Sundry expenses	2,115,922	2,308,091
	66,233,859	52,950,477

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 ■	2018 ■
39. Cash generated from operations		
Surplus	46,164,344	41,043,516
Adjustments for:		
Depreciation and amortisation	62,544,535	53,492,011
Loss on sale of assets and liabilities	(5,231,404)	-
Finance costs - Finance leases	4,903,636	-
Impairment deficit	5,736,407	3,688,386
Debt impairment	15,003,048	(9,982,282)
Movements in retirement benefit assets and liabilities	5,812,332	2,147,456
Movements in provisions	11,910,700	8,021,120
Impairment reversal	-	(176,751)
Transfers	-	393,070
Opening balance adjustment	257,852,312	108,065,657
Changes in working capital:		
Inventories	(137,888)	1,577,167
Consumer debtors	(41,581,026)	(3,081,560)
Other receivables from non-exchange transactions	(4,593,753)	(1,510,167)
Payables from exchange transactions	(2,487,608)	12,269,632
VAT	12,878,355	(1,893,271)
Unspent conditional grants and receipts	(10,550,122)	(16,792,997)
Consumer deposits	(1,315,937)	1,131,880
	356,907,931	198,392,867

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	6,430,487	13,025,262
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Total capital commitments

Already contracted for but not provided for	6,430,487	13,025,262
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Total commitments

Total commitments

Authorised capital expenditure	6,430,487	13,025,262
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This committed expenditure relates to plant and equipment and will be financed by unspent grants rolled over as per conditions of Division Revenue Act as well as accumulated surplus.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
41. Contingent Liabilities		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Sulliman Attorneys Conveyancing and registration of property case brought against the municipality. The case has been ruled in the Municipality's favour.	150 000	150,000
Van Rooyen This is a labour related issue where the municipality applied for a review of an arbitration by SALBGC which awarded Van Rooyen a payment of R250 000. The municipality is challenging the award. The outcome of the application for review is unknown.	250,000	250,000
Edward Ntefang	65,000	65,000
Legal opinion (Monyela M.L.) CCMA awarded Monyela M.L. a payment of R28 044 and the municipality is challenging the decision. The municipality has applied for a review of the arbitration. The timing of cash outflows from the municipality is dependent on the outcome of the case which is unknown.	-	28,044
Review: IMATU obo ML Monyela This is a labour related issue in which IMATU took the municipality to court with regard to ML Monyela. The timing of cash outflows from the municipality is dependent on the outcome of the case which is unknown.	150,000	150,000
OJM Engineers Contract appointment of a tender. The case has been ruled in the Municipality's favour.	-	250 000
Public Liability claim: BNH829NC/CDX376NC Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	20,357
Property loss: Transformer Golf Club Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	55,461
Insurance. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	
Public Liability: JJ Erasmus Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	37,068
Public Liability: APC Botes Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	12,651
Public Liability: PB Van der Merwe Insurance claim on municipality due to financial loss as a result of bad advice to replace water pipes on a stand from the municipality. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	14,750
Insurance claim vehicle damaged by tree in the parking area. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	
Public Liability: BYN212NC Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	10 064
Insurance claim. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	
Insurance claim due to damage on tyres at the municipal testing station due to faulty brake rollers. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown.	-	
Wrenchville illegal occupants portion ERF 1 (ERF 5702) This is as a result of a civil matter involving the eviction of illegal occupants. The illegal occupants have instituted a legal action against the municipality and the outcome of the legal action is unknown.	-	800,000

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
41. Contingent Liabilities (continued)		
Public liability claim : W Markram Insurance	-	17,853
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Insurance damage to wall. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Insurance injury on the job. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public liability: CMJ695NC	-	3,418
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
1962 Construction (Pty) Ltd	67,387,905	-
Public liability: BYG807NC	-	40 224
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public liability: CGK133NC	-	51,796
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public Liability: CRV841NC	-	10,460
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public Liability Damage to tyre due to pothole	-	3,659
Insurance claim against the municipality due to tyre damage caused by potholes. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public liability Mr Boyise	-	54,031
Terms and conditions		
Public Liability: CPG617NC	-	16 345
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Public Liability: CJZ611MZ	-	27,560
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
OJM Consulting Engineers	3,300,000	-
Diseko	150,000	-
The matter was involved in the Labour court Cape Town. The issue has been referred back to the bargaining council.		
The Wie-cla Insurance Broker	30,000	-
This is regarding electricity supply and the legal liability is R30 000		
Tsalanyang West and Environmental specialists	300,000	-
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Segomutsi Trading Enterprises	300,000	-
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
MI Suliman	100 000	-

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
41. Contingent Liabilities (continued)		
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
	72,182,905	2,068,751

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

42. Related parties

Relationships

Councillor K.B Madikiza

Councillor N.G Thupaemang

Councillor N.S Bloem

Councillor E.B Modise

Councillor G.C Assegaai

Community Services Director - P.J Sampson
Technical Director - H Smit

Chief Financial Officer: Kagiso Noke
Councillor: W.A S Aucamp

Councillor: G.N Mntuyedwa

Councillor: K B Selepe

Councillor: N.G Ngesi

Councillor: G.N Masegela
Councillor: O D Mathibe
Councillor: M.G Reetsang
Councillor: M.P Galeboe

Batharos Sound Hire, Tlotlanang Catering & Bommesejo
Services and Supply Co-operative Limited, By Fire Business Enterprise
Bafumahadi khumo Enterprise and Projects - Director
Mmeotshwara Thipa Ka Ha Bogaleng Primary Cooperative
Limited - Director
Ditswammung Mineral Resources Consortium - Director
Bomme-sejo Services and Supply Co-operative Limited
Bomme-sejo Services and Supply Co-operative Limited
Bomme-sejo Services and Supply Co-operative Limited - Director
Gadikgadi - Director
Self-Propelled Trading and Projects - Director

Mimoisa Business Solutions - Director
Local Economic Development Agency of Mafikeng - Director
Mafikeng Industry Development Zone - Director
KAYN Projects - Director
Tau Aggregate - Director
Spectra Mining Solutions - Director
Masakeng A Dipodi Primary Co-operative Limited - Director
Batharos Sound Hire - Director
Tlotlanang Catering - Director
Bomme-Sejo Services and Supply Co-operative Limited - Director
Mighty Metals - Director
Gamotinye Investment Holdings - Directors
Ditukus Project - Director
Batharo Le Bathping Mining Solutions - Director
Boka Resources - Director
Nomisa Enterprise - Director
Letlotlo Lane Trading and Projects - Director
PKS Trading - Director

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
42. Related parties (continued)		
Related party transactions		
Loan accounts - Owing (to) by related parties		
R M Meyers (Wife to Councillor T.E. Meyers)	-	295,231
G. Sibi (Daughter to Councillor N.G Thupaemang)	-	327,179
K.V. Makoke (Brother to Councillor L.N Makoke)	-	388,157
D. Baepi (Brother to Councillor L.C. Moseki)	-	444,976
K.M. Modise (Daughter to Councillor B E. Modise)	-	214,669

Related party transactions

Related party transactions - Management

	2019 Transactions for the year	2019 Balance as at year end	2018 Transactions for the year	2018 Balance as at year end
Pule RC - Acting Director Corporate Services	-	-	12,260	380
Smit H.J - Director Technical Services	-	-	6,930	-
Tsatsimpe MM - Municipal Manager	-	-	23,174	-
	-	-	42,364	480

43. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	125,812,670	-	-	-
Other 1	4,773,650	7,442,049	-	-
Other 2	7,451,010	13,158,864	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors.

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2019	30 June 2018
Interest rate swap	59,755,609	33,177,631
Fixed interest loan to X Ltd	27,743,021	23,149,268
Bank A	551,057	11,888,188

Market risk

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

43. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

44. Going concern

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality..

- Creditors days in 2018 are (102) and in 2017 are 251

- Debtors days in 2018 are 133 and in 2017 are 115

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

	2018/19	2019/20	2020/21	Total
Finance Management Grant (FMG)	2,215,000	2,680,000	3,112,000	8,007,000
Expanded Public Works Program (EPWP)	1,000,000	1,274,000	-	2,274,000
Municipal Infrastructure Grant (MIG)	52,793,000	53,302,000	56,218,000	162,313,000
Integrated National Electrification Grant	18,943,000	39,560,000	2,560,000	61,063,000
Equitable Share	141,895,000	159,726,000	174,827,000	476,448,000
Other	46,821,000	96,621,000	41,472,000	184,914,000
	263,667,000	353,163,000	278,189,000	895,019,000

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2018.

In addition, the municipality collects revenue for services rendered and this will augment their cash flows in subsequent years.

2019	2018
■	■

45. Unauthorised expenditure

Unauthorised expenditure	41,225,363	289,513,086
Current year	81,584,097	41,225,363
Written-off	(41,225,363)	(289,513,086)
	81,584,097	41,225,363

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Fruitless and wasteful expenditure

Opening balance(2019, 2018-as Previously reported)	1,375,428	3,953,575
Fruitless and wasteful expenditure	6,423,820	5,188 914
Written off	(5,648,758)	(7,767,061)
	2,150,490	1,375,428

The fruitless and wasteful expenditure relates to interest charged by Eskom on bulk purchases account arrears. The municipality was unable to pay Eskom account in time due to late and non-payment of services and rates account by municipal consumers. An arrangement with Eskom was entered into in May 2018 and has been complied with until the last day of the financial year. This arrangement exists to curb increase in the interest charged. Interest on Eskom account amounted to R5 628 430 and interest on other accounts amounted to R795 390.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
47. Irregular expenditure		
Opening balance	167,257,098	410,410,352
Add: Irregular Expenditure - current year	4 537,792	9 690,773
Less: Amounts recoverable (not condoned)	-	110,813,951
Less: Amounts condoned	-	(358,297,542)
Less: Written-off - current year	(815,659)	(5,360,436)
Less: Write-off of prior year	(167,257,098)	-
	3,722,133	167,257,098

The amount disclosed for irregular expenditure for the reported financial years is mainly as a result of the following reasons:

- Irregular expenditure arose as a result of Bid Adjudication Committee composition not comprising of four senior managers as per regulation 16 of the MFMA in the prior periods (2016/17), this affected the two outer years 2017/18 and 2018/19 on three-year capital programs that were procured in 2016/17 financial year. These expenditures amounted to (2018/19) R4 537 792, (2017/18) R167 257 098.
- These expenditures were subjected to a thorough investigation by Municipal Public Accounts Committee and the Internal Audit unit to establish as to whether there were any financial losses suffered by the municipality and if there was wrongdoing by any official. The committee recommended to Council to write off these expenditures as no wrong doing was found to have been done by any official and no losses were suffered by the municipality as the non-compliance was on composition of the committee in the prior years.
- During the 2018/19 the Bid Adjudication Committee of the municipality comprised of four senior managers as per the regulations and was chaired by the Chief Financial Officer.
- Further instances of Irregular Expenditure that might have resulted from non-compliance with SCM processes are under investigation to determine the full extent of the amount

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA

30 June 2019	Lost units	Tariff	Value
Unaccounted electricity losses	17 245 047	0,95	16 382 794,3
30 June 2018			
Unaccounted electricity losses	18 166 042	0,95	17 257 739,9
Volume in KWH/year		30 June 2019	30 June 2018
System Input Volume		78 600 284	78 600 284
Billed Consumption		61 355 237	60 484 242
Distribution Loss		17 245 047	18 116 042
Percentage Distribution Loss (%)		21,94%	23,05%
30 June 2019	Lost units	Tariff	Value
Unaccounted for water losses	3 763 157	4,32	17 000 137
30 June 2018			
Unaccounted for water losses	3 310 611	4,32	143 01 840
Volume in KI/year		30 June 2019	30 June 2018
System Input Volume		5 796 468	5 075 302
Billed Consumption		1 881 251	1 764 691
Distribution Loss		3 935 217	3 301 611
Percentage Distribution Loss (%)		68,00%	65,23%

Included in both water and electricity losses is the municipal own consumption at various municipal facilities

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R	
48. Additional disclosure in terms of Municipal Finance Management Act (continued)			
SDL			
Current year subscription / fee	1,052,634	997,469	
Amount paid - current year	(1,052,634)	-	
	-	997,469	
PAYE and UIF			
Current year subscription / fee	16,750,823	15,856,791	
Amount paid - current year	(16,750,823)	(15,856,791)	
	-	-	
Pension and Medical Aid Deductions			
Current year subscription / fee	18,846,367	25,338,121	
Amount paid - current year	(18,846,367)	(25,338,121)	
	-	-	
VAT			
VAT output payables and VAT input receivables are shown in note 5.			
All VAT returns have been submitted by the due date throughout the year.			
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:			
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
D.T Mputa	284	12,370	12,654
E.B Modise	-	4,331	4,331
B.A. Eiman	1,369	1,918	3,287
N.G Masengela	942	2,130	3,072
G N Mntuyeduo	-	12	12
	2,595	20,761	23,356
30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
D.T Mputa	403	11,851	12,254
E.B Modise	46	1,440	1,486
G.C Assegai	100	3,199	3,299
L.R Nelson	2,120	-	2,120
G N Mntuyedwa	-	11	11
	2,669	16,501	19,170
49. Auditors' remuneration			
Fees		5,314,998	5,783,354

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

50. Financial instruments disclosure

Categories of financial instruments

50.1

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	59,755,609	59,755,609
Other receivables from non-exchange transactions	-	27,743,021	27,743,021
Cash and cash equivalents	551,057	-	551,057
VAT	-	4,324,469	4,324,469
	551,057	91,823,099	92,374,156

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	16,046,283	16,046,283
Trade and other payables from exchange transactions	-	128,991,743	128,991,743
Other liability 1	-	16,576,465	16,576,465
Other liability 2	-	4,018,382	4,018,382
Other liability 3	1,618,925	-	1,618,925
	1,618,925	165,632,873	167,251,798

50.2

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	46,119,454	46,119,454
Other receivables from non-exchange transactions	-	19,738,879	19,738,879
Cash and cash equivalents	11,688,188	-	11,688,188
VAT	-	17,202,824	17,202,824
	11,688,188	83,061,157	94,749,345

Financial liabilities

	At amortised cost	Total
Other financial liabilities	20,609,874	20,609,874
Trade and other payables from exchange transactions	125,667,955	125,667,955
Finance lease obligat	12,215,699	12,215,699
Consumer deposits	5,334,319	5,334,319
	163,827,847	163,827,847

Credit quality of other assets that are neither past due nor impaired

The municipality evaluates the credit risk of all its customers on an on-going basis taking into account the financial position, past payment history and also considers the municipality's internal control systems on debt collection and credit risk management.

Financial assets that is past due but not impaired

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing."

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Financial instruments disclosure (continued)

Counterparty and Location

Receivables from non-exchange transactions

1 month past due	455,154	7,034,925
2 months past due	458,854	3,060,376
3 months past due	208,509	2,071,500

Receivables from exchange transactions

1 month past due	8,472,664	7,734,125
2 months past due	3,675,334	3,225,856
3 months past due	2,538,662	2,364,123

	15,809,177	25,490,905
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Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Motor vehicle and housing loans	-	61,070
Other receivables from non-exchange revenue	72,593	16,959
Consumer debtors - non-exchange transactions	35,475,734	18,422,620
Cash and cash equivalents	551,057	11,688,188
Consumer debtors - exchange transactions	77,406,412	58,674,983
Sundry debtors	27,958,562	23,729,070

Maximum Credit and Interest Risk Exposure	141,464,358	112,592,890
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

51. Deviations

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

Reason	Month	Supplier	Amount	Description
The fire truck (CFC 780 NC) has to undergo the regular mileage services and maintenance. The truck was manufactured by Marce Projects (Pty) Ltd and as a result it is impractical to take the truck to any service garage for maintenance and services exercise. The truck must be urgently serviced since we are heading for the fire season.	10 July 2018	Marce Projects (Pty) Ltd	52 978	Erection of Palisade at Wrenchville Stadium
Only Xerox can issue these goods as they have the sole rights to supply them	16 July 2018	Rosstech (Pty) Ltd	4,370	Supply of Toner Cartridge
We are unable to obtain three quotations from various service providers for the Org Plus Professional Software. Altula is the Sole Provider to distribute Inspeerity OrgPlus Software and contracted with Kimru IT Logix (Pty) Ltd to be the exclusive distributor in South Africa.	03 August 2018	Kimru IT Logix (Pty) Ltd	30,944	Supply of Software
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin	08 August 2018	AMC Funerals	2,250	Supply of Burial Coffin
No three quotations can be sourced since it is a unique event only held by SAMSRA.	15 August 2018	SAMSRA NC	6,000	Sports Affiliation Fee
The Sole supplier authorised to service the calibration machine.	15 August 2018	Workshop Electronics (Pty) Ltd	35,066	Calibration of Testing Machine
Sewerage water was running through the residential yard of Wrenchville settlement. This was a health risk towards the community and needs an URGENT attention	31 August 2018	Excellence Business Academy	29,325	Unblocking and Cleaning of Sewer Line (Wrenchville)
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	03 September 2018	Rekathusa Funeral Parlour (Pty) Ltd	950	Supply of Burial Coffin
CSD Non - Tax Compliant. The services can only be supplied by SAPO	10 September 2018	SAPO	2,275	Postage
To upgrade the system that belongs to the specific service provider, can ONLY be provided by that services provider. In this instance the service provider of the traffic system is Total Computer Services (Pty) Ltd	13 September 2018	Total Computer Services (Pty) Ltd	43,700	Traffic Contravention Management System Software
Some parts of the Wrenchville residential area has been without water for the past two weeks. Pumps that distribute water from the reservoir are currently damaged beyond repair, they need to be replaced urgently. Community unrest was brewing	13 September 2018	C Pac Pumps (Pty) Ltd	299,000	Supply of Split Case Pump (Wrenchville Reservoir)
CSD Non - Tax Compliant. The services can only be supplied by SAPO	17 September 2018	South African Post Office	8,612	Postage
CSD Non - Tax Compliant. The services can only be supplied by SAPO	17 September 2018	South African Post Office	56,629	Postage
CSD Non - Tax Compliant. The services can only be supplied by SAPO	17 September 2018	South African Post Office	12,512	Postage
CSD Non - Tax Compliant. The services can only be supplied by SAPO	05 October 2018	South African Post Office	534	Postage

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Notes to the Annual Financial Statements

51. Deviations (continued)

CSD Non - Tax Compliant. The services can only be supplied by SAPO

CSD Non - Tax Compliant. The services can only be supplied by SAPO

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin

The service provider has to diagnose the fault on the electrical works on the Fire Truck engine. Our mechanics could NOT fix the problem and as a result the truck was sent to Alpha Auto Electrical for fault finding on the engine. The truck had to be urgently serviced since we were heading for the fire season.

Sole Provider The machine (Franking) has to undergo the annual services and maintenance works. Hasler Business Systems (Pty) Ltd are the sole providers of the franking machine and only them can service the machine.

The Speaker had to take the car in for service. That service can only be done by the Mercedes Benz accredited dealership

This association is responsible for the preparation and hosting of municipal inter games. The association is not registered on CSD. The speaker's car taken into the dealership to replace a front sensor. Only Mercedes Benz dealership can undertake this services as the make of the vehicle is Mercedes Benz.

The District Municipality provides the internal audit and risk management services to Ga-Segonyana Local Municipality. At the time of the business the District Municipality was Tax Non Compliant as per the CSD search.

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The CSD search on the entity indicates that the service provider is Non Tax Compliant. The municipality needs disc licenses for service delivery vehicles.

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.

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The CSD search on the entity indicates that the service provider is Non Tax Compliant. The municipality needs disc licenses for service delivery vehicles.

08 October 2018	South African Post Office	168 Postage
11 October 2018	South African Post Office	307 Postage
15 October 2018	Rekathusa Funeral Parlour (Pty) Ltd	950 Supply of Burial Coffin
24 October 2018	Alpha Auto (Pty) Ltd	6,522 Fault Finding on Fire Truck Engine
07 November 2018	Hasler Business Systems (Pty) Ltd	3,990 Annual Maintenance/Service
07 November 2018	Ronnies Motors East London	4,087 Car Millage Services
13 November 2018	SAMSRA NC	1,500 Sports Affiliation Fee
14 November 2018	John Williams Motors	4,186 Replacement of Front Sensor
21 November 2018	John Taolo Gaetsewe District Municipality	366,298 Internal Audit & Risk Management Fee
21 November 2018	John Taolo Gaetsewe District Municipality	4,983 Internal Audit & Risk Management Fee
21 November 2018	John Taolo Gaetsewe District Municipality	14,962 Internal Audit & Risk Management Fee
22 November 2018	South African Post Office	6,391 License Disc Fee
26 November 2018	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
26 November 2018	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
26 November 2018	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
26 November 2018	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
26 November 2018	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
26 November 2018	South African Post Office	354 License Disc Fee

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

51. Deviations (continued)

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin

The Municipality was struggling with water supply at Ward One (KURUMAN). Electrical materials were stolen where cables were taken and as a result we the Kuruman borehole was not pumping enough water for the town. Members of the community were already up in arms over the situation, and they are threatening an community strike. It must be noted that an insurance claim was made with our insurance company, and the delay came through the processes that they undertook to authorise that claim. They had to come to the site and do a security assessment and also assess the value of the stolen goods.

The service provider took the Municipality to the Public Protector and the Municipality was ordered to reimburse the service provider the legal costs incurred. While we were on the process of paying the supplier, we did the CSD search and found out that the supplier is Non Tax Compliant

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin

The winch had been idle for months with faults. It had not worked for some time.

The CSD search on the entity indicates that the service provider is Non Tax Compliant

Some parts of Kuruman residential area (Botha and Surrounding streets), has for the past 7 days or so experienced no power. Residents have been without power for that period. It is on this basis that the cable must be procured as urgently as possible, since residents have been without power for such a long time. The service provider is currently Non Tax compliant (Unable to determine Tax Compliance- Refer to Tax REF Nr Status) as per the CSD search done on the service provider. Councilors have to continue with their studies and have enrolled with the university from last year. No three quotations can be sourced, no Reg 18 procurement can be undertaken since this is inter-government transaction. However the service provider should be TAX COMPLIANT at the time of doing business with the municipality. The university is NOT compliant at this stage and councilors must enrol with, for their academic year (3rd and 1st years). They must be provided with study materials and must attend classes, which cannot be done before a payment of the tuition fee. It is on this basis that the municipality has to deviate.

The car (Mayor) has to be taken in for car services (millage), where it can only be serviced at the Mercedes Benz Dealership. It must be noted that the service plan on the car has lapsed and everytime the car reaches the kilometres and/ or period where it needs to be serviced, the municipality has to bear the cost.

The grader was stuck in the Magojaneng while trying to excavate trenches. No three quotations could not be sourced as the time to do that has lapsed. It was after hours and only Alpha Auto Towing was available at that time.

11 December 2018	AMC Funeral Parlour	950	Supply of Burial Coffin
11 December 2018	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
06 December 2018	C-Pac Pumps and Valves	161,516	Electrical Cabling and Supply of Electrical Accessories at the Borehole Pump Station in Kuruman
06 December 2018	Kgomongwe Security Services	2,530	Legal Cost (PP Order)
11 December 2018	Rekathusa Funeral Parlour	880	Supply of Burial Coffin
11 December 2018	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
20 December 2018	Gerraph Trading Enterprise cc	28,750	Repairs To Winch Machine
20 December 2018	South African Post Office	49,223	Postage Fee
01 February 2019	Sean Blake	431,940	Supply of Cable
04 February 2018	University of Fort Hare	131,072	Study Fees
26 February 2019	Zelco Motors	8,972	Car Services
14 March 2019	Alpha Auto Towing	4,600	Tow Services

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

51. Deviations (continued)

Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin	07 March 2019	AMC Funerals	950	Supply of Burial Coffin
Only Mercedes-Benz accredited suppliers can service the car since the car make is that of Mercedes-Benz. The car is due to service and the Mayor is currently in Pretoria hence the service in Pretoria.	14 March 2019	Mercedes-Benz Wonderboom	8,219	Car Services
	26 March 2019	Thusano Electrical	28,474	Supply of Electrical Materials
The fire truck was involved in accident while extinguishing fire in a field. The car was taken to a panelbeater that is accredited to our insurer. The panelbeater is not registered on the CSD.	14 March 2019	Top Car Panelbeaters	5 000	Excess Fee (Accident to the Fire Truck)
The calibration machine needed maintenance and repairs at the Traffic Department. The supplier is the sole supplier of the product/machine	18 March 2019	Workshop Electronics	16,942	Calibration of Testing Machine
The calibration machine needed maintenance and repairs at the Traffic Department. The supplier is the sole supplier of the product/machine	18 March 2019	Workshop Electronics	22,934	Calibration of Testing Machine
The Wrenchville stadium has been booked out to Merakeng Foundation for the jazz musical festival on the 20th April 2019. On the 15th April 2019, SCM unit received a request to source services for the erection of the palisade fence. The work was assessed and quotations were sourced from service providers. The steel wheel lift was due for services, when the service provider who was appointed to install the machine was requested to carry out services, he encountered that the lift was malfunctioning. It was then requested that the service provider must strip the machine and find the fault.	15 April 2019	Barolong Bakery and Projects (Pty) Ltd	57,249	Erection of Palisade at Wrenchville Stadium
The steel wheel lift was due for services, when the service provider who was appointed to install the machine was requested to carry out services, he encountered that the lift was malfunctioning. It was then requested that the service provider must strip the machine and find the fault.	18 April 2019	Omogolo Consulting (Pty) Ltd	65,000	Repairs, Maintenance and Periodic Service - LIFT
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin.	23 April 2019	AMC Funeral Parlour	950	Supply of Burial Coffin
This is an association responsible for municipal games. Quotations can only be sourced from them since it is a unique event only held by SAMSRA. The association is not CSD Registered. The municipality uses the services of TCS for capturing of traffic fines and other related traffic transactions. The system used is owned by the company and they have the sole rights to it. They have provided the hardware and software for these services and as a result they have to be serviced and maintained. The licence is renewable annually and the service is periodic. Currently the Traffic department cannot capture the traffic fines issued due to the non-renewal of the licence. Only from TCS can the quotation be sourced due to sole rights ownership.	07 May 2019	SAMSRA	2,000	Affiliation Fee Provincial Games
The municipality uses the services of TCS for capturing of traffic fines and other related traffic transactions. The system used is owned by the company and they have the sole rights to it. They have provided the hardware and software for these services and as a result they have to be serviced and maintained. The licence is renewable annually and the service is periodic. Currently the Traffic department cannot capture the traffic fines issued due to the non-renewal of the licence. Only from TCS can the quotation be sourced due to sole rights ownership.	22 May 2019	Total Computer Services (Pty) Ltd	55,488	License and Service Fee
On the 18th May 2019 the town experienced power outage in Kuruman town, amongst items needed to restore power was fuses, which were not available at the Municipal Stores. Items were not readily available even in Kuruman and the service provider had to collect them in Kathu. It was impractical to source three quotations as these services/ products were requested on an emergency basis.	30 May 2019	Thusano Electrical (Pty) Ltd	6,442	Supply of Fuses
The car indicated some malfunctioning, and it was taken to the dealer to diagnose the problem. Upon the diagnosis the fault was detected and identified, then the service provider was instructed to fix the problem. It must be noted that only Mercedes-Benz accredited suppliers can work on the repairs and maintenance of the car, and further note must be that the car has ran out of the motor plan, so any work done on the car the municipality must bear the cost.	23 May 2019	Zelco Motors	20,411	Repairs and Maintenance

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

51. Deviations (continued)

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The appointment on a single source basis meets the criteria set out in section 5.10.5.2 of the Supply Chain Management Guide for Accounting Officers.

The municipality had advertised for a supplier for protective clothing twice and non of the bidders met the local content requirements.

22 May 2019	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
22 May 2019	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
19 June 2019	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
19 June 2019	Rekathusa Funeral Parlour	950	Supply of Burial Coffin
29 November 2018	CCG Systems (Pty) Ltd	6,100,718	Preparation of Annual Financial Statements
13 February 2019	Zini Management Solutions (Pty) Ltd	1,737,137	Supply of protective clothing
		9,958,640	

52. Prior period errors

During the year under review, the following errors were identified for prior year Annual Financial Statements:

The correction of the error(s) results in adjustments as follows:

Statement of financial position	As previously reported	Adjustments	Reclassifications	Restated	Reference
ASSETS					
Current Assets					
Inventories	53,804,637	86,209	-	53,890,846	[1]
Receivables from non-exchange transactions	19,738,879	3,410,389	-	23,149,268	[2]
VAT receivable	17,189,868	12,956	-	17,202,824	[3]
Receivables from exchange transactions	46,119,454	(12,941,823)	-	33,177,631	[14]
Cash and cash equivalents	11,688,188	-	-	11,688,188	
	148,541,026	(9,432,269)	-	139,108,757	
Non-Current Assets					
Investment property	6,756,100	-	-	6,756,100	[4]
Property, plant and equipment	1,258,171,559	17,634,212	-	1,273,805,771	[5]
Intangible assets	350,553	-	-	350,553	
Heritage assets	1,655,642	-	-	1,655,642	
	1,264,933,854	17,634,212	-	1,282,568,066	
	1,413,474,880	8,201,943	-	139,108,757	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

52. Prior period errors (continued)

LIABILITIES

Current Liabilities

Other financial liabilities	7,451,010	(4,254,000)	-	3,197,010
Finance lease obligation	4,773,650	-	-	4,773,650
Trade payables	83,390,390	5,811,395	-	89,201,785 [6]
Accruals	6,718,262	-	-	6,718,262 [6]
Retention monies	12,394,997	-	-	12,394,997
Sale of stands	9,588,264	-	-	9,588,264 [7]
Sundry payables	2,617,685	-	-	2,617,685 [13]
Unallocated deposits	947,393	-	-	947,393 [14]
Employee costs accrual	5,892,002	(7,745,080)	-	(1,853,078)
Debtors with credit balances	2,092,317	-	-	2,092,317 [13]
Group Life Insurance	2,026,646	-	-	2,026,646
Consumer deposits	5,334,319	-	-	5,334,319
Employee benefit obligation	1,618,925	-	-	1,618,925
Unspent conditional grants and receipts	1,699,569	-	-	1,699,569
	146,545,429	(6,187,685)	-	140,357,744

Non-Current liabilities

Other financial liabilities	13,158,864	-	-	13,158,864
Finance lease obligation	7,442,049	-	-	7,442,049
Employee benefit obligation	25,352,432	-	-	25,352,432
Provisions	12,891,497	-	-	12,891,497
	58,844,842	-	-	-

TOTAL LIABILITIES

	205,390,271	(6,187,685)	-	199,202,586
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NET ASSETS

	1,208,084,609	14,389,628	-	1,222,474,237
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Reserves

Revaluation reserve	14,835,415	-	-	14,835,415
Accumulated surplus	1,193,249,194	6,644,548	-	1,199,893,742 [8]
	1,208,084,609	6,644,548	-	1,214,729,157

Statement of Financial Performance

REVENUE

Revenue from exchange transactions

	As previously reported	Adjustments	Reclassifications	Restated	Reference
Sale of stands	864,010	-	-	864,010 [7]	
Service charges	140,660,584	117,546	-	140,778,130 [9]	
Rental of facilities and equipment	1,688,622	-	-	1,688,622	
Interest received (trading)	5,616,813	-	-	5,616,813	
Licences and permits	5,757,645	-	-	5,757,645	
Other revenue	2,561,479	-	-	2,561,479	
Interest received (investments)	2,155,587	-	-	2,155,587	
	159,304,740	117,546	-	159,422,286	

Revenue from non-exchange transactions

Property rates	38,408,384	612,335	-	39,020,719 [10]	
Government grants and subsidies	232,798,246	-	-	232,798,246	
Public contributions and donations	2,789,054	-	-	2,789,054	
Fines, Penalties and Forfeits	1,120,100	-	-	1,120,100	
	275,115,784	612,335	-	275,728,119	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

52. Prior period errors (continued)

Expenditure

Employee related costs	(119,647,196)	-	-	(119,647,196)
Remuneration of councillors	(9,361,617)	-	-	(9,361,617)
Depreciation and amortisation	(53,492,011)	-	-	(53,492,011)
Impairment loss	(3,688,386)	-	-	(3,688,386)
Finance costs	(22,977,435)	-	-	(22,977,435)
Debtors impairment - Gain/(loss)	20,144,431	(10,162,149)	-	9,982,282 [11]
Bad debt written-off	(8,701,574)	-	-	(8,701,574)
Bulk purchases	(99,087,945)	-	-	(99,087,945)
Contracted services	(11,441,002)	-	-	(11,441,002)
General expenses	(72,287,821)	19,337,344	-	(52,950,477)
	(380,540,556)	9,175,195	-	(371,365,361)

Profit/(loss) on disposal	(709,270)	-	-	(709,270)
Actuarial gains	526,317	-	-	526,317
	54,406,285	-	-	63,785,044

Other

Irregular expenditure	275,392,390	(108,135,292)	-	-	167,257,098 [12]
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- [1] Inventory was adjusted for by R86,209 for land after deeds search and verification of ownership and land use.
- [2] Receivables from non-exchange transactions was adjusted by R3,410,389 which was a write-off of debtors done in the current year instead of prior year.
- [3] VAT was understated by R12,956 and the error was adjusted after reviewing prior year VAT returns and SARS statements and adjustments done accordingly.
- [5] Property, plant and equipment was adjusted for an overstatement of R17,634,212 related to prior year assets that were included in the Fixed asset register as a result of completeness issues identified during the physical verification exercise conducted.
- [6] Trade payables and accruals were adjusted by the same amount of R5,811,395. This was due to reclassification error.
- [8] Accumulated surplus was adjusted by R77,186,301 due to other adjustments from various components of the financial statements.
- [10] Service charges were adjusted by R117,546 due to restatement of prior year service charges which were recalculated.
- [11] Property rates were readjusted by R612,335 as the rates were recalculated and restated.
- [12] Irregular expenditure were restated by R- after reviewing prior year expenditure.
- [14] Impairment of debtors was adjusted after recalculations to the value of R12,941,823.

53. Events after the reporting date

Investment property was subsequently revalued after year end in July 2018 in line with the municipality's policy of revaluing investment property every four years. The last revaluation was performed in 2014.

54. Change in estimate

Property, plant and equipment

The useful life of Landfill site was estimated in 2017 to be 17 years. In the current period management have revised their estimate to 10 years.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

54. Change in estimate (continued)

Landfill site

The estimated useful lives were reviewed at 30 June 2018. Adjustments to the useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase in Landfill site due to adjustments to useful lives of non-current provisions	5,955,350	8,021,076
Increase in Landfill Site Interest		
Interest as previously stated	1,188,428	485,090
Adjustment due to Change in Accounting Estimate	4,766,922	7,535,986
	5,955,350	8,021,076

55. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.